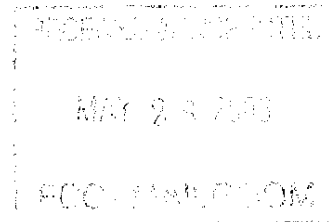




ORIGINAL



May 23, 2003 – Ex Parte

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
9300 East Hampton Drive
Capitol Heights, MD 20743

RE: Inter-Carrier Compensation Proceeding, CC Docket No. 01-92

Dear Madame Secretary:

This letter is to advise that on May 22, 2003 the undersigned, as well as Brad Evans, Cavalier Telephone, LLC's Chief Executive Officer, and Martin W. Clift, Jr., Cavalier Telephone LLC's Vice President – Regulatory, met with the following individuals at the FCC: Tamara Preiss, Kathy O'Neill, Jay Atkinson, Victoria Schlesinger, Steve Morris, Chris Bachelor, Stacy Jordon, and Peter Trachtenberg.

The subject of the discussions concerned the impact of a potential bill and keep regime on facilities-based CLECs, such as Cavalier, as well as providing the Commission Staff with Cavalier's perspectives on some of the flaws in the current inter-carrier compensation rules as applied unfairly in the commercial practices of certain interconnecting carriers. The attached handout was used to facilitate the discussions.

Please see that these materials are incorporated into the record of this proceeding. I have filed this letter, as well as the attachment, through the Commission's electronic filing systems as well.

Please contact me if I can provide you any further information or assistance in this matter.

Respectfully Submitted,

A handwritten signature in black ink, appearing to be "M. W. Clift, Jr." with a large "041" written next to it.

A handwritten signature in black ink, appearing to be "M. W. Clift, Jr.".

Assistant General Counsel
Cavalier Telephone, LLC
1275 K Street, NW
Washington, D.C. 20005
202.371.0913
fax: 202.216.0594

FCC Meeting – 5/22/03

Agenda Items

- Cavalier Overview
- The Issue:
 - Intercarrier compensation
- Cellular
- IXC and CLEC
- RBOC
- Action required

The Cavalier Network

- Facilities-Based CLEC
 - Formed in 1998
- Mid-Atlantic Corridor – S. NJ to Norfolk, VA
- 8 Switches; 1,500 miles of fiber
- 242,000 Business and Residential Lines
- 8.7 million calls per day
- Facilities Based – UNE-L
 - No UNE-P
 - End Office & Tandem Trunks
- Cash flow Positive

Revenue Base

- Carrier revenue base in decline
- Sustained rate reductions since 2000
- Sustained substitution from toll traffic to cellular and email
- Intercarrier
 - Access and recip comp. bills all wrong
 - Billing disputes – Nobody is paying each other
 - Gaming of calls to avoid paying access
 - Need less scrutiny and post-billing haggles

Compensation Leaks

- Long Distance Access being gamed to look like local calls
 - IP
 - Re-originated
 - Hide ANI
- Patch quilt compensation scheme requiring individual negotiations with hundreds of carriers.
 - Prone to error, controversy, and litigation
- Millions of minutes pass thru without proper billing identifiers
 - No CIC codes
 - “99999999” Records
 - Same “from” and “to” records

Cellular Compensation

- Cellular carrier getting free ride
- Low recip comp rate
- Large MTA vs. telephone exchange areas
- Will not enter into direct interconnection arrangements

IXC's and CLECS

- Hiding the calling party info and routing LD as local
- Everybody's billing everybody and nobody's paying
- Bills are all wrong based on ILEC's erroneous meet point tape
- Fraud is the norm
- Routing intrastate calls as interstate

ILLEC's – Verizon

- Send calls with no CIC, ANI, LRN or OCN
- Route their own LD and cellular down local trunks
- Meet point tape is flawed:
 - Withhold data
 - Same from and to NNX
 - Missing records

Action Needed

- Plug existing holes
 - Establish national billing standards that all carriers must adhere to
 - Define traffic types with consideration for wireless
 - Set up firm rules for passing call traffic
 - Establish penalties for violators
- Quick and efficient enforcement mechanisms
- Ticking Time Bomb
 - Carriers booking revenue and not being paid
 - Verizon starting to bill transit
 - Free ride can not be sustained